

§ 704.7

12 CFR Ch. VII (1–1–97 Edition)

that does not comply with the requirements of this section or to request permission from the NCUAB to hold the investment. Any investment acquired before the effective date of this regulation is not subject to this divestiture requirement.

[57 FR 22630, May 28, 1992, as amended at 57 FR 28085, June 24, 1992]

§ 704.7 Lending.

(a) *Policies.* A corporate credit union shall develop written loan policies which address, at a minimum:

- (1) Loan types and limits;
- (2) Documentation for each loan and line of credit;
- (3) Security;
- (4) Analysis of financial and operational data;
- (5) Monitoring standards; and
- (6) Review and reassessment of the credit quality of the borrower.

(b) *General.* Each individual loan or line of credit limit will be determined after analyzing the financial and operational soundness of the applicant and the ability of the applicant to repay the loan. Loans are limited as follows:

(1) *Loans to member credit unions.* The maximum aggregate amount in loans and approved lines of credit to any one member that is a credit union, excluding pass-through and guaranteed loans from the CLF and the NCUSIF and member reverse repurchase transactions, shall not exceed the corporate credit union's capital or 10 percent of the corporate credit union's shares and capital, whichever is greater;

(2) *Loans to members that are not credit unions.* The aggregate amount of loans and lines of credit to credit union service organizations (CUSOs) and to members other than credit unions shall not exceed 15 percent of the corporate credit union's capital unless permission is obtained from the NCUAB.

(3) *Loans to credit unions that are not members of the corporate credit union.* The aggregate amount of loans to other credit unions that are not members of the corporate credit union shall not exceed 25 percent of the corporate credit union's shares and capital. The maximum aggregate amount in loans and approved lines of credit to any one borrower, excluding pass-through and guaranteed loans from the CLF and the

NCUSIF and member reverse repurchase transactions, shall not exceed the corporate credit union's capital or 10 percent of the corporate credit union's shares and capital, whichever is greater. Loans resulting from a loan participation purchased from another corporate credit union are excluded from this 25 percent limitation.

(c) *Participation Loans with other corporate credit unions.* A corporate credit union is permitted to participate in a loan with another corporate credit union and must retain an interest of at least 5 percent of the face amount of the loan. The participation agreement may be executed at any time prior to, during, or after disbursement.

(d) *Prepayment penalties.* If provided for in the loan contract, a corporate credit union is authorized to assess prepayment penalties on loans made at fixed and variable rates to member credit unions or other organizations.

[57 FR 22630, May 28, 1992, as amended at 57 FR 28085, June 24, 1992]

§ 704.8 Borrowing.

A corporate credit union may borrow up to 10 times capital or 50 percent of shares (excluding shares created by the use of member reverse repurchase agreements) and capital, whichever is greater. CLF borrowings and borrowed funds created by the use of member reverse repurchase agreements are excluded from this limit. Additional borrowing authority can be obtained from the NCUAB.

§ 704.9 Services.

A corporate credit union may provide services to its members involving investments, liquidity management, payment systems, and correspondent services, unless otherwise prohibited by the NCUAB, or, in the case of a state-chartered corporate credit union, prohibited by state law. The corporate credit union will maintain written agreements with vendors and other providers of services.

§ 704.10 Fixed assets.

(a) *General.* A corporate credit union's ownership in fixed assets shall be limited as described in Section 701.36 of this chapter, except that in lieu of paragraphs (c)(1) through (4) of